



**Trust Land Transfer
Land Portfolio Management Program**

Revitalization

November 2022



WASHINGTON STATE DEPT OF
**NATURAL
RESOURCES**

Trust Land Transfer Land Portfolio Management Program Revitalization

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On the cover: Cypress Highlands Natural Resources Conservation Area in Skagit County, one of the DNR-managed natural areas that has benefitted from Trust Land Transfer.

All photos in this booklet were taken by DNR staff.

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Prepared by the

WASHINGTON STATE DEPARTMENT OF
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Part One: Revitalizing Trust Land Transfer

What is Trust Land Transfer?

The Washington State Department of Natural Resources (DNR) manages state trust lands to generate revenue for specific trust beneficiaries such as public schools, universities, and counties. However, some parcels of state trust lands are not as suitable as others for revenue-generating activities, such as timber harvest, grazing, or agriculture.

Trust Land Transfer (TLT) is a legislatively funded program that enables DNR to keep these lands in public ownership while also maintaining economic returns to trust beneficiaries. Specifically, TLT enables DNR to accomplish the following:

- Transfer under-performing state trust lands out of trust status and acquire funds to purchase replacement lands with higher long-term income producing potential; and
- Conserve lands that have high ecological values and public benefits.



Mount Si Natural Resource Conservation Area (NRCA) in North Bend, WA.

At least 70 percent of the land in this popular NRCA came from trust land transfer.

How Has TLT Worked in the Past?

Each biennium, state trust land parcels¹ were nominated for TLT by DNR, state agencies, counties, public utility districts, cities, and others. DNR determined if the transfer would be in the best interests of the trust beneficiaries and whether there was an appropriate receiving agency to manage each nominated parcel.

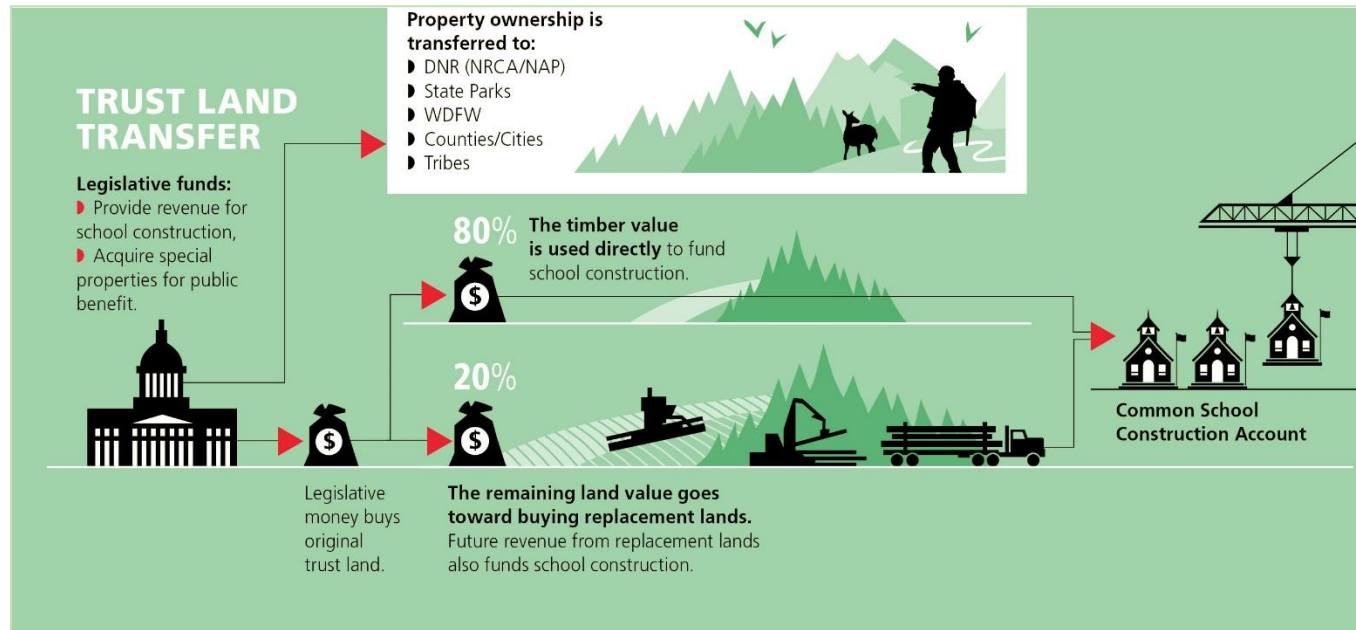
The list of eligible parcels was assembled into an informational package, with maps and property descriptions, that was presented to the Board of Natural Resources and then to the Washington State Legislature for funding. The Legislature considered the proposal, determined the makeup of the final package, and set an appropriation funding level. If approved, the transfer package (or a portion of it) was authorized and funded as a proviso in the biennial capital budget.

At the beginning of the biennium, the estimated value of the timber on the parcel to be transferred went to the Common School Construction Account, to be used to fund school construction. At the time of transfer, the

¹ Because TLT is currently limited to the Common School Trust, non-Common School Trust lands must undergo an inter-trust exchange prior to transfer. Refer to “Revitalizing TLT for a Bright Future” in this booklet for more information.

remaining land value went to the Real Property Replacement Account, to be used to purchase replacement lands that would generate revenue for trust beneficiaries (Figure 1).

Figure 1. Diagram showing how TLT worked in the past



33 Years of Success

Established in 1989 and revitalized in 2022, the TLT program has been highly successful at improving the state trust lands portfolio while also preserving special places for the people of Washington. Over the past 33 years, DNR has used the TLT program to transfer from trust status **thousands of acres acres of state trust lands** with outstanding ecological values and public benefits. **Nearly 15 percent (by area) of the Washington state parks system came from TLT, and 43 DNR-managed natural areas owe their existence to TLT, in full or in part.** DNR also has purchased **55,546 acres of replacement lands** that earn sustainable, long-term revenue for trust beneficiaries.



Morning Star NRCA near Spada Lake, WA

All of the acres in this popular and mountainous NRCA came from TLT.

Revitalizing TLT for a Bright Future

As effective as it is, the current TLT program can be improved to make it stronger, more transparent, more consistent, and more effective for management of the state trust lands portfolio. Revitalizing this program was one of the recommendations of the [2021 Trust Lands Performance Assessment](#).

In its 2021 session, the Washington State Legislature passed a budget proviso focused on strengthening and improving TLT with the help of a work group: “The department of natural resources shall convene a work group of trust land beneficiaries and stakeholders to develop a recommended process for the way trust land transfer proposals are developed and implemented” (Supplemental House Budget [SHB] 1080 Sec. 3333). DNR completed this work in two phases, as shown in Figure 2 below.

Figure 2. TLT Phases

Phase 1	Phase 2
<ul style="list-style-type: none"> • When: July-December 2021 • Who: 11-member work group with representatives of trust beneficiaries, the timber industry, conservation organizations, and public agencies • What: Built a framework for the new program, which was summarized in DNR’s 2021 report to the Legislature. 	<ul style="list-style-type: none"> • When: January – October 2022 • Who: 14-member work group with representatives of trust beneficiaries, the timber industry, conservation organizations, tribes, and public agencies <i>and</i> 11-member taxing district focus group with representatives of taxing districts and county treasurers • What: Worked out the details on major framework elements and testing these elements in a pilot project.

The parcels in this booklet are the direct result of the Phase 2 pilot project. The pilot project will be described in Part 2 of this booklet.

Major Changes to TLT

DNR and the Phase 1 and 2 work groups made **fundamental changes to TLT** that will make it far more effective at meeting today’s land management challenges. Following is a brief summary of these changes. A more complete discussion can be found in the [2021 legislative report](#).

The changes described in this section are subject to legislative approval in the 2023 legislative session. Until and unless these changes are adopted, the TLT Program will continue to operate as it has in the past.

■ *Open TLT to All Trusts*

TLT currently is limited to Common School Trust lands.² Any State Forestland³ parcel nominated for TLT must first become a Common School Trust parcel through an inter-trust exchange. In this process, DNR identifies a Common School Trust parcel that is equivalent in value to the State Forestland parcel it wishes to transfer with the TLT program. DNR then swaps the trust designation of these parcels, such that the State Forestland becomes a Common School parcel and vice versa (Figure 3).

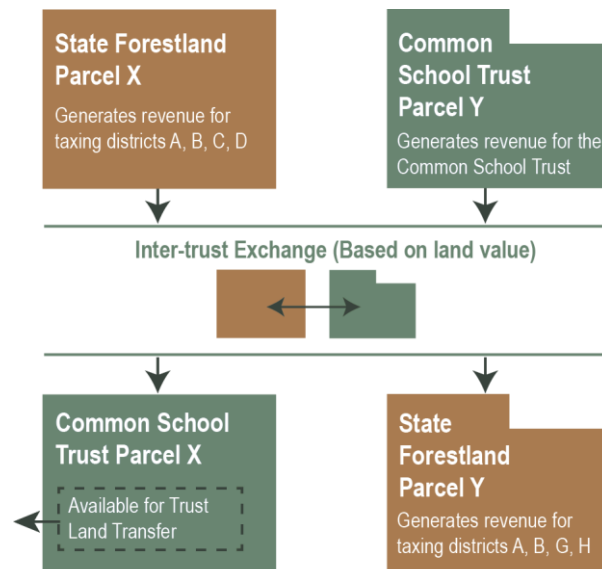
Inter-trust exchanges can be difficult to achieve, because equivalent parcels are not always available in the same geographic area as the parcel being transferred. It also means that any State Forestland transfer also affects the Common School Trust.

This change entails **opening TLT to lands in all trusts, including State Forestlands**. This change is dependent on also changing the current statutes that limit the direct transfer of State Forestlands (refer to “Make Statutory Changes for Long-term Success” later in this booklet).

Benefits: Opening TLT to all types of state trust lands provides DNR **far more flexibility to reposition state trust lands, in particular State Forestlands**. The long-term benefit could be a **stronger portfolio with better long-term revenue potential**. After this change is made, inter-trust exchanges will be optional. DNR is submitting a request for this statutory change in the 2023 legislative session.

Although transfers that result in a stronger state trust land portfolio should benefit trust beneficiaries in the long run, transfers involving State Forestlands can affect which taxing district within a county receives revenue from replacement lands. Net revenue from State Forestlands is sent to the county treasurer in the county in which the revenue is generated, to be distributed to taxing districts per [RCW 79.64. 110](#).

Figure 3. Inter-trust Exchange



² Common School Trust Lands are federally granted lands, or State Lands ([RCW 79.02.010 \(15\)](#)). Federally granted lands were granted to the state at statehood through the 1889 Enabling Act (25 Stat. 676, chs. 180, 276–284) as a means of support for various public institutions in the new state.

³ State Forestlands ([79.22 RCW](#)) either were acquired by 21 counties in the 1920s and 1930s through tax foreclosures, purchased by the state, or acquired by the state as a gift.

DNR has established the Taxing District Focus Group, whose goal is to develop solutions to avoid, minimize, or mitigate any potential impacts of State Forestland transfers on taxing districts. The Focus Group includes taxing district representatives and county treasurers.

■ ***Remove the 80:20 Requirement and Provide More Funding for Replacement Land***

As shown in Figure 1, many past budget provisos have required DNR to meet an “80:20” requirement: for all transfers on the list combined, the value of the timber must comprise at least 80 percent of the total land value. The timber value was directed to the Common School Construction Account, to provide immediate funding for school construction; the remaining land value was directed to the Real Property Replacement Account, to fund the purchase of replacement land.

The 80:20 requirement has made it difficult to transfer properties that are non-forested or have lower timber value. As such, this requirement has made the TLT program far less flexible for managing the state trust lands portfolio. Also, the remaining land value is not sufficient to purchase replacement land. This situation is similar to selling a home, but only receiving 20 percent of its value to buy another home in the same area. As a result, **DNR has managed to replace fewer than half of the transferred acres in the last 33 years.**

DNR and the work group propose to remove the 80:20 requirement and change the way funding is apportioned. DNR would not be required to meet any specific requirement for timber value on proposed transfers, and the appropriation received from the Legislature for TLTs would be used to purchase replacement land.

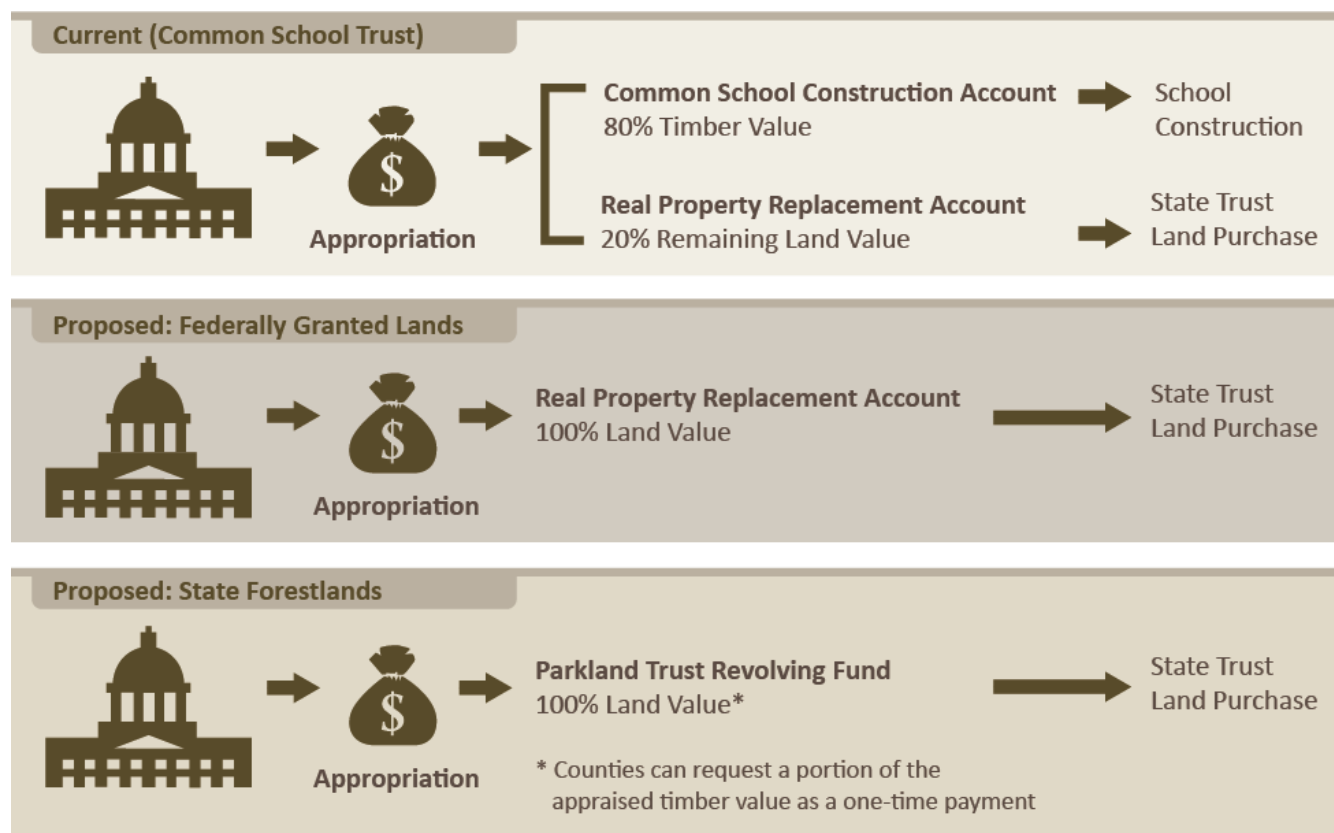
The legislative appropriation would be deposited in different accounts, depending on the type of state trust land being transferred.

- All funding for the transfer of **federally granted lands** would be directed to the Real Property Replacement Account.
- Funding for the transfer of **State Forestlands** would be deposited in the Parkland Trust Revolving Account, but counties would have the flexibility to request a portion of the appraised timber value of the transferred parcel as a one-time payment.

Funds in both accounts (Real Property Replacement Account and the Parkland Trust Revolving Fund) will be used to purchase replacement lands for long-term revenue generation. These changes are illustrated in Figure 4.

Benefits: Removing the 80:20 requirement will **open TLT to all types of land cover and make the program far more flexible and effective.** In particular, it will enable DNR to reposition partly or non-forested lands that generate little to no revenue but provide outstanding ecological values and social benefits.

The change in apportionment will **improve the state trust lands portfolio for generations of trust beneficiaries** by enabling DNR to invest in productive state trust lands. Improving the state trust lands portfolio was one of the recommendations of the **2021 Trust lands Performance Initiative.**

Figure 4. Changes to the Apportionment of the Legislative Appropriation

■ *Establish New Three-step Approval Process*

Applicants interested in transferring a specific parcel will fill out an application for that transfer and send it to DNR. The applicant also will secure the commitment of a receiving agency to accept and manage the parcel.

Once the application has been received, it will move through an effective, three-step approval process, as shown in Figure 5.

Figure 5. Three-step Approval Process

One: Eligibility	Two: Prioritization	Three: Approval
<ul style="list-style-type: none"> DNR conducts improved analysis to determine whether the transfer is in the best interests of the trust beneficiaries. DNR verifies receiving agency's willingness and ability to accept the parcel. DNR and the receiving agency conduct Tribal consultation and, for parcels involving State Forestland, outreach to affected taxing districts. 	<ul style="list-style-type: none"> Newly-established advisory committee scores the eligible parcels according to standardized prioritization criteria. DNR tallies the scores to create a prioritized list. 	<ul style="list-style-type: none"> Board of Natural Resources approves sending the prioritized parcel list to the Legislature for funding.

In addition to representatives of trust beneficiaries, county taxing districts, conservation organizations, the forest industry, public agencies, and Tribes, **DNR will invite representatives of overburdened communities and vulnerable populations⁴ to participate in the advisory committee** to make TLT more inclusive and equitable.

Benefits: This thoughtful, structured, and documented process will **increase transparency** and help **ensure each transfer meets the needs of the trust beneficiaries, receiving entities, Tribes, stakeholders, and the people of Washington.**

■ *Provide Long-term Funding for Administrative Costs*

Many past TLT budget provisos have capped administrative costs at just 1.9 percent of the legislative appropriation. Often, this amount is insufficient to cover administrative costs, so DNR has either used funds needed for other trust management needs, or completed fewer approved transfers.

Going forward, DNR will need sufficient funding to not only transfer the parcels but to implement the revitalized program. To address this issue, DNR recommends funding administrative expenses through both the state capital and operating budgets.

- Capital budget:** DNR requested \$25 million from the 2023-25 state capital budget for the 10 transfers in this booklet. A portion of this appropriation would be used for appraisal-related expenses.
- Operating budget:** DNR is requesting \$576,200 from the 2023-25 state operating budget to fund additional staff. **These staff are essential to implementing the revitalized TLT program.** They will

⁴ Overburdened community" means a geographic area where vulnerable populations face combined, multiple environmental harms and health impacts, and includes, but is not limited to, highly impacted communities as defined in RCW 19.405.020 (**ESSSB 5141** Sec. 2 (11)). "Vulnerable populations" means population groups that are more likely to be at higher risk for poor health outcomes in response to environmental harms (ESSSB 5141 Sec. 2 (14)).

perform the best interests of the trusts analysis; maintain quality webpages; answer questions from the public, stakeholders, and others; increase collaboration with tribes and other government entities; track and report on transfers; support the advisory committee process; and perform other vital tasks.

Benefits: The combination of dedicated TLT staff and funding for appraisal-related work through the capital budget will **provide DNR the funding and stability it needs to fully implement the revitalized TLT program.**



Shoreline at Devils Lake

Having dedicated TLT staff will help ensure the successful transfer and replacement of parcels like this one. Devils Lake is one of the ten parcels proposed for transfer in the 2023-25 biennium.

■ *Improve the Best Interests of the Trusts Analysis*

DNR has always analyzed proposed parcels to ensure the transfer is in the best interests of the trust beneficiaries. Through the revitalization process, DNR and the work group improved this analysis and developed a template for documenting the analysis results.

Benefits: The improved analysis will be **documented consistently.**

■ *Increase Transparency and Repeatability*

Currently, TLT is not established in statute. Direction for implementing TLT comes from provisos in the Capitol Budget. DNR proposes to establish the intent of TLT in statute, and to document the new TLT program in writing. For example, DNR will develop new webpages within its website (www.dnr.wa.gov) to share information on current transfers and describe the new program, including the prioritization criteria and the process DNR uses to determine if a transfer is in the best interests of the trust beneficiaries.

Benefits: Establishing TLT in statute and making information about TLT easily accessible in a central location will make the TLT process **easier to implement consistently and far more transparent** for trust beneficiaries, tribes, stakeholders, and the public.

■ *Make Statutory Changes for Long-term Success*

As noted in this booklet, in the 2023 legislative session DNR will pursue a number of statutory changes, including the following:

- Ensure the statutes allow direct transfer of State Forestland, which will enable DNR to expand TLT to all types of state trust lands and better manage the trust land portfolio.
- Establish the intent of TLT in statute, for long-term stability.
- For transfers involving federally granted lands, direct all of the appropriation to the Real Property Replacement Account. This change will ensure that DNR has sufficient funds to purchase replacement land.
- For transfers involving State Forestlands, direct the legislative appropriation to the Parkland Trust Revolving Account, but provide the affected county the flexibility to request a portion of the appraised timber value of the transferred parcel as a one-time payment, as proposed by the Tax District Focus Group.
- For added flexibility, change existing statutes to enable DNR to purchase replacement lands in another county than the county in which the transfer is located. Revenue from these replacement lands would be directed to the county in which the transfer is located. This change accommodates one of the solutions developed by the Tax District Focus Group.

In addition, DNR will pursue additional changes to **enhance its ability to transact lands**:

- Remove the current 1,500-acre limit in the Land Bank.
- Allow both public hearings on land exchanges and land sales to be held online, which will enable broader public participation and allow these activities to proceed when buildings are inaccessible to the public, as they were during most of the pandemic.
- Provide DNR the authority to transfer property at fair market value directly to a lessee, when the lessee owns and resides in a house on the property.

Benefits: All of these changes will support DNR's efforts to **make TLT a strong, effective, and flexible program** for improving the state trust lands portfolio for trust beneficiaries and the people of Washington.

■ *In Conclusion*

As DNR continues to navigate modern land challenges, it needs good programs for repositioning lands for long-term success. With the changes outlined in this booklet, DNR is confident that TLT can be one of those programs. TLT has worked well for 33 years. **Revitalizing will put TLT on a firm track to perform even better in the next 33 years.**

Part 2: The Pilot Project

As part of the TLT revitalization process, DNR facilitated a **pilot project** with the Phase 2 work group in August, 2022. The purpose of the project was to **test key aspects of the revitalized TLT program** with a limited list of parcels to identify strengths and areas for improvement. The pilot process is illustrated in Figure 5.

Figure 5. The Pilot Project



Two parcels were removed from the list during Step 2, one because of Tribal concerns and the other because DNR did not have written confirmation from the receiving agency.

In Step 3, each parcel was prioritized using the following criteria:

- Community involvement and support for the transfer;
- Ecological values, such as rare plant communities;
- Economic values, such as increased tourism that benefits local communities;
- Public benefits, such as recreational opportunities; and
- Tribal support or opposition.

In the final meeting for the pilot process, DNR gathered feedback from the work group on the written materials and the scoring process.

Part 3: Implementation

DNR is now entering Phase 3 of the revitalization, implementation. In this phase, DNR staff will work to finalize the revitalized program, drawing on the results of the pilot project as well as the input of both work groups. In this phase, DNR will accomplish the following:

- Finalize all documents and forms, including the parcel application, best interests of the trusts form, and prioritization criteria.
- Develop a set of web pages, linked off the [land transactions page on DNR's website](#), that fully explain the revitalized tool and how it works.
- Write a downloadable manual that applicants can use to help them complete a parcel transfer application.
- Write an in-house procedure for the TLT program to ensure DNR staff implement the revitalized program consistently over time.
- Establish the advisory committee.
- Create a web map that shows current TLT transfers and a tabular record of past transfers, to be linked off the TLT Program webpages. A webmap is a simple GIS interface on which a user can click on a parcel and bring up a list of attributes, such as acres and estimated value.
- ...and more!

DNR has developed a [temporary home page](#) that provides an overview of TLT and the revitalization effort. This page will be replaced once the full set of web pages have been developed. In the meantime, check back often for importance announcements, such as the opening of the application period for the 2025-27 biennium.